

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **August 12, 2003**

AGENDA ITEM NO.: 12

CONSENT: **X**

REGULAR:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: Approval for the Lynchburg Redevelopment and Housing Authority to issue a Lease Revenue Bond in an amount not to exceed \$6.6 million to acquire the J.W. Ould (Human Services) Building from Commerce Street Properties and to authorize the City Manager to execute addenda to existing leases to effect the transfer of the property.

RECOMMENDATION: Adopt a resolution approving the Lynchburg Redevelopment and Housing Authority's (LRHA) acquisition of the J.W. Old Building and the issuance of a lease revenue bond in an amount not to exceed \$6.6 million and authorizing the City Manager to execute addenda to the existing building lease and parking agreement to effect the transfer of the property.

SUMMARY: This action represents the final phase of the conversion of the J.W. Ould Building to provide office space for the City's Department of Human Services. During the construction phase, the building was owned by Commerce Street Properties, LLC in order to access State historic tax credits. Construction is now complete and Commerce Street Properties has received \$1,197,110 of historic tax credits. The next step is for the LRHA to issue a \$6.6 million lease revenue bond, buy the property from Commerce Street Properties, LLC, and then Commerce Street Properties will use the proceeds from the sale to the LRHA to pay off the construction loan on August 29, 2003. In order to meet the August 29, 2003 transfer date, the adoption of the attached resolution is recommended to City Council.

Through the efforts of the City's Financial Advisor (BB&T Capital Markets), the LRHA, and City staff, an advantageous financing arrangement with SunTrust Bank was completed on July 31, 2003. Under the arrangement, LRHA will issue a bank-qualified tax-exempt bond not to exceed \$6.6 million at an interest rate of 3.80% compared to an earlier proposal from another financial institution that quoted a 4.77% interest rate. The major difference in the two proposals is the rate from SunTrust will be reset after ten years. However, based on an analysis by BB&T Capital Markets, tax exempt rates would have to be more than 7.0% for it not to be advantageous to the City. Based on the history of tax exempt rates not exceeding 7.0% since the early to mid-1980's, BB&T recommended acceptance of the SunTrust proposal.

The FY 2004 Budget allocated \$583,000 for the lease payment on the J.W. Ould Building. Under the SunTrust proposal, the annual lease payments will be \$471,400 compared to \$514,000 from another financial institution. Although gross budget savings are estimated at \$111,600, because of Federal and State funding, the net estimated annual local savings is \$33,550.

PRIOR ACTION(S): December 11, 2001: City Council approved the issuance of an amount not to exceed \$9 million of lease revenue bonds by the LRHA to assist with the financing and rehabilitation of the J.W. Ould Building and authorize the City Manager to execute appropriate documents to effect this transaction.

FISCAL IMPACT: Estimated net annual budget savings of \$33,550

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ATTACHMENT(S): Resolution attached

REVIEWED BY:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA

A RESOLUTION APPROVING OF THE LYNCHBURG REDEVELOPMENT AND HOUSING AUTHORITY'S ACQUISITION OF FEE SIMPLE INTEREST TO THE J. W. OULD BUILDING AND THE AUTHORITY'S ISSUANCE OF ITS LEASE REVENUE BOND IN AN AMOUNT NOT TO EXCEED \$6,600,000 TO FINANCE SUCH ACQUISITION; AUTHORIZING THE CITY MANAGER TO EXECUTE AN ESTOPPEL CERTIFICATE, AN ADDENDUM TO LEASE, AN ADDENDUM TO PARKING AGREEMENT AND SUCH CERTIFICATES AND AFFIDAVITS AS SHALL BE REQUIRED BY BOND COUNSEL; AUTHORIZING THE CITY CLERK TO ATTEST THE FOREGOING DOCUMENTS AND TO EXECUTE SUCH CERTIFICATES AND AFFIDAVITS AS SHALL BE REQUIRED BY BOND COUNSEL; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Commerce Street Partners, LP ("Partnership") acquired and renovated the J. W. Ould Building located at 822 Commerce Street in the City of Lynchburg, Virginia;

WHEREAS, by Lease Agreement dated December 11, 2001 ("Lease"), Partnership leased the J. W. Ould Building to the City of Lynchburg, Virginia ("City") for a term running until December 31, 2023, and the City committed to pay Rent as defined by the Lease;

WHEREAS, by Parking Agreement, between the City and the Partnership, the City agreed to lease certain parking spaces to the Partnership;

WHEREAS, the Partnership has completed renovation of the J. W. Ould Building in accordance with § 58.1-339.2 of the Code of Virginia and the policies of the Virginia Department of Historic Resources;

WHEREAS, the City as Lessee under the Lease is using the J. W. Ould Building for the public purpose of providing administrative and other office space;

WHEREAS, the Lynchburg Redevelopment and Housing Authority ("Authority") will issue its Lease Revenue Bond (J. W. Ould Building Project) in a principal amount not to exceed \$6,600,000 to provide permanent financing of the Authority's acquisition of fee simple interest in the J. W. Ould Building (the "Project");

WHEREAS, upon acquisition of the J. W. Ould Building, the Authority will succeed the Partnership as Lessor under the Lease and the Parking Agreement; and

WHEREAS, the City desires to approve of the Project and the Authority's issuance of its Lease Revenue Bond and to reaffirm its obligations under the Lease and the Parking Agreement;

THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA:

1. The Council approves the Project and the issuance by the Authority of its Lease Revenue Bond (J. W. Ould Building Project) to finance the Project.
2. The City Manager is hereby authorized, for and on behalf of the City, to execute an Estoppel Certificate certifying that the representations and warranties of the City contained in the Lease are true and accurate as of the date of Closing.
3. The City Manager is hereby authorized, for and on behalf of the City, to execute an Addendum to Lease by which the City recognizes the Authority as the Lessor under the Lease and by which the City reaffirms its agreement to comply fully with all the terms of the Lease.
4. The City Manager is hereby authorized, for and on behalf of the City, to execute an Addendum to Parking Agreement by which the City recognizes the Authority as the Lessor under the Parking Agreement and by which the City reaffirms its agreement to comply fully with the terms of the Parking Agreement.

5. The City Manager, City Attorney and the City Clerk are hereby authorized, for and on behalf of the City, to provide and execute such additional Certificates and Affidavits as may be required by Bond Counsel in connection with the Authority's issuance of its Lease Revenue Bond.

6. Neither the Commonwealth of Virginia nor any of its political subdivisions, including the City and the Authority, are obligated to pay the principal of or interest on the Lease Revenue Bond, or other costs incident to it except from the revenues, money, or property pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any of its political subdivisions, including the City and the Authority, is pledged to the payment of the principal of or interest on the Bond or other costs incident to it.

7. This Resolution shall be effective immediately upon its adoption.

Adopted:

Certified:

Clerk of Council

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